Alamance Regional Medical Center . Albemarle Health . Alleghany Memorial Hospital . Angel Medical Center . Annie Penn Hospital . Anson Community Hospital • Ashe Memorial Hospital, Inc. • Beaufort County Medical Center • Bertie Memorial Hospital • Blowing Rock Hospital . Blue Ridge Regional Hospital . Broughton Hospital . Brunswick Community Hospital . Caldwell Memorial Hospital . Inc. . Cape Fear Valley - Bladen County Hospital • Cape Fear Valley Health System • CarePartners Rehabilitation Hospital • CarolinaEast Health System • Carolinas Medical Center • Carolinas Medical Center - Lincoln • Carolinas Medical Center - Mercy • Carolinas Medical Center - Northeast • Carolinas Medical Center - Pineville • Carolinas Medical Center - Union . Carolinas Medical Center - University . Carolinas Rehabilitation . Carteret County General Hospital . Carollont Health, Inc. . Catawba Valley Medical Center • Central Carolina Hospital • Cherokee Indian - Charles A Cannon, Jr. Memorial Hospital • Charles Indian Hospital . Cherry Hospital . Chevry Hospital . Chevry Hospital . Columbus Regional Healthcare System . Cone. Health Behavioral Health Davie County Hospital Davis Regional Medical Center Department of Veterans Affairs Medical Center Asheville Department of Veterans Affairs Medical Center Durham . Dorothea Dix Hospital . Duke Raleigh Hospital . Duke University Hospital . Duplin General Hospital, Inc. . Durham Regional Hospital • FirstHealth Montgomery Memorial Hospital • FirstHealth Moore Regional Hospital • FirstHealth Richmond Memorial Hospital • Forsyth Medical Center • Franklin Regional Medical Center • Frye P ealth System • Halifax Regional Medical Center • Heritage Hospital • High Point Regional Health Sys alty Hospital • Holly Hill Hospital • Hugh Chatham Memorial Hospital • Iredell Health System Smithfield . Kings Mountain Hospital, Lake Norman Regional Medical Center ifeCare Hospitals of North Carolina • Margaret R. Pardee Memorial Hospital Hospital • Medical Park Hospital • MedWest - Harris • MedWest - Havwr Murphy Medical Center, Inc. • Nash Health Care Systems . New Hanover Re Surry County . Onslow Memorial Hospital • Our Community Hospital • The Outer Banks Hospital • Par on Memorial Hospital • Pitt County Memorial Hospital, Inc. • Presbyterian Healthcare • Presbyterian Hospital Huntersv Presbyterian Orthopaedic Hospital Pungo District Hospital Corporation
 Randolph Hospital
 Rex Healthcare
 Roandolph Hospital Rowan Regional Medical Center • Rutherford Regional Medical Center Sampson Regional Medical Center Sandhills Regional Medical Scotland Health Care System
 Select Specialty Hospital-Durham • Select Specialty Hospital-Winston-Salem • Stutke's Hospital • Stanly Regional Medical Center • St. Luke's Hospital • Stanly Regional Medical Center • Stokes-Reynolds Memorial Hospital, Inc. • The Moses H. Cone Memorial Hospital • Thomasville Medical Center • Transylvania Regional Hospital • UNC Hospitals • Valdese Hospital • Wake Forest Baptist Medical Center • Wake Forest Baptist Health - Davie Hospital • Wake Forest Baptist Health - Lexington Medical Center WakeMed - WakeMed Cary Hospital
 WakeMed Fuguay-Varina
 WakeMed Zebulon/Wendell SNF and Outpatient Diagnostic Center
 Washington County Hospital • Watauga Medical Center • Wayne Memorial Hospital • Wesley Long Community Hospital • Wilkes Regional Medical Center • Wilson Medical Center Women's Hospital of Greensborp • Yadkin Valley Community Hospital

#### Climate and Conditions for Hospital Operations

Hugh Tilson, Sr. Vice President

# Why U.S. Health Care Costs Rise

The aging of America is driving up utilization – older people use more health care services

Costly medical technologies and drug therapies more available; Americans use a lot of them – in addition to prior existing therapies

Societal expectations: Americans demand high quality health care services – without restrictions and with minimal costs to the patient

The U.S. system incentivizes providers to do more

Multiple third party payers result in higher administrative costs, including for providers



#### Health Care Economics Are Different

#### **Most U.S. Industries**

#### **Health Care**

Consumer directly pays for the product



Government/insurers pay the majority of the bill

Demand rises when prices decline/quality increases



Price is generally not the deciding factor when medical care decisions are made – patients don't pay, deference to physician recommendations, lack of information

Buyers purchase only what they need and can afford



Consumers primarily seek care when they are sick

– they want the 'best', get it now and pay for it
later, rely on physician recommendations not price

Consumers are able to compare product performance and price with competing products



Little objective information is available to consumers and providers; available information difficult to use

Purchasers and sellers negotiate prices



Government sets prices for most customers – below cost; private insurers negotiate but pay more for a smaller number of consumers



### Unique Expectations of Hospitals

#### **Business**

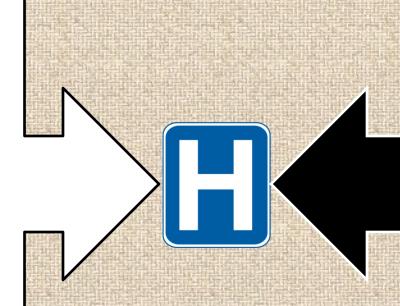
Operate as a business

Provide profitable services to paying patients

Be fiscally responsible

Be efficient

Provide services with positive margin



#### Mission

Operate as a charity

Provide needed services irrespective of ability to pay and profitability

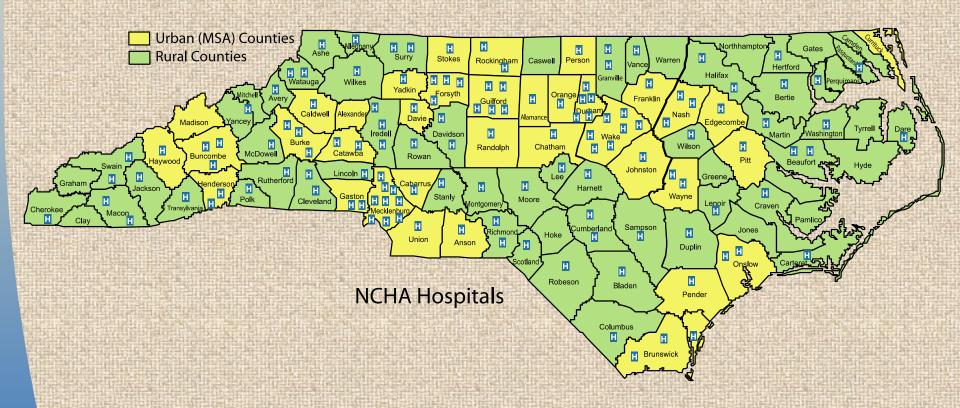
Provide charity care and uncompensated care

Be available to provide needed services 24/7

**EMTALA** 



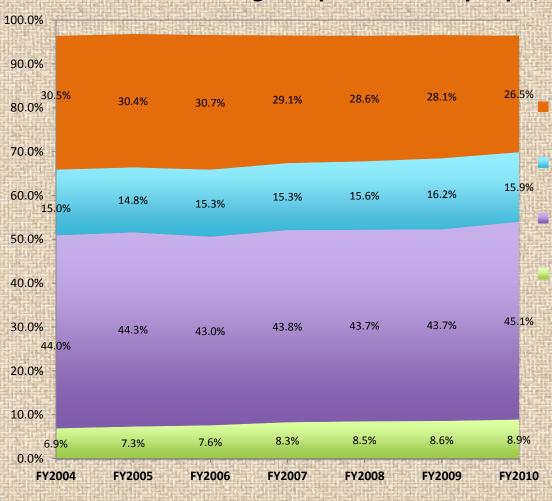
## NCHA Hospitals





### Fewer Insured Patients

#### Average Hospital Volume by Payor, 2004-2010



- Commercial Payors as a percent of Gross Revenue (Charges)
- Medicaid as a percent of Gross Revenue (Charges)
- Medicare as a percent of Gross Revenue (Charges)
  - Uninsured as a percent of Gross Revenue (Charges)

Prepared by Sarah Broome, PhD, Director of Economic Research, NCHA, June 3, 2011. Response rate: 87%; missing responses imputed using beds. Data source: NCHA ANDI



## Gov't, Uninsured Cost Hospitals \$2.5B



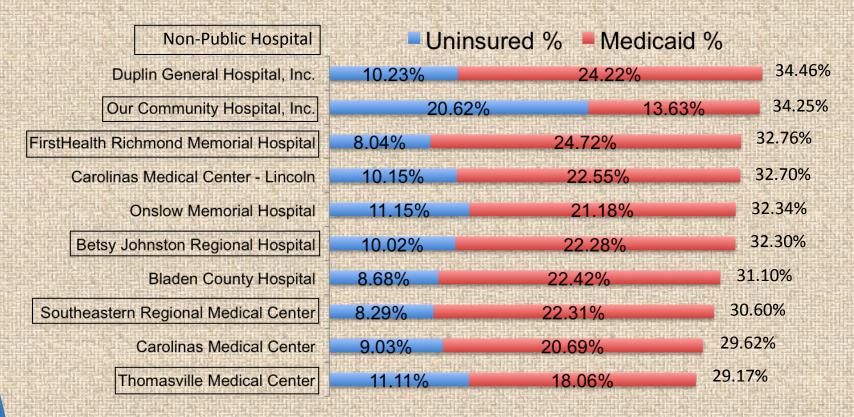


Prepared by Sarah Broome, PhD, Director of Economic Research, NCHA, June 3, 2011. Response rate: 87%; missing responses imputed using beds. Data source: NCHA ANDI.

## "Type" Doesn't Determine Service

Five Public and five Non-Public hospitals have the highest percentages of Medicaid and Uninsured costs in relation to total costs. This is consistent for all NC hospitals - the 'type' of hospital does not dictate the patients North Carolina hospitals serve.

Top 10 in NC - Percent of Medicaid and Uninsured Costs to Total Costs



<sup>\*</sup>As defined within the MRI Plan, includes unreimbursed services to uninsured patients and services not covered but provided to insured patients.



# Most Services Cost Hospitals

Expenses Exceed Revenues Revenues Exceed Expenses

Oncology

Orthopedics

Cardiology

**Outpatient Surgery** 

**Imaging** 

**Emergency Department** 

**Pediatrics** 

OB/GYN

Internal Medicine

Trauma

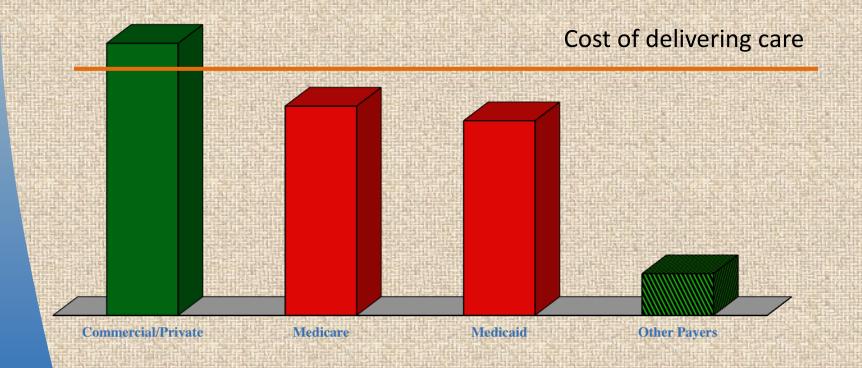
Mental Health

Community Health/Medicine



### Payments Below Costs

North Carolina hospitals depend on payments from commercial/private insured patients and revenues from certain services to help offset losses from government payers and the uninsured and many services





### NC Hospitals - Challenges

- Declining reimbursements
- Health Information Technology
- Workforce
- Can doctors keep practices open to new Medicare and/or Medicaid patients?
- Increased alignment
  - Community hospitals continue to align to meet community needs and uncertain environment
  - 25% to 40% of NC physician are employed by hospitals; will trend accelerate?; better ways to align?



## NC Hospitals - Challenges

#### Affordable Care Act

- Take effect or not: must plan for either
- Reduction in NC hospital revenues: \$5.6 billion
- Unknowns
  - Will hospital losses caring for the uninsured fall?
  - Will anything change the way health care is delivered?
  - What to do to get ready?



## Measurement & Transparency

#### **NC Hospital Quality Performance Report**

Measuring the Quality of Care for North Carolinians

• Home

About

Reports

Resources

Highlights



This site is developed by the NC Quality Center.



Additional support comes from the North Carolina **Hospital Association** 



and The Carolinas Center for Medical Excellence.



#### The NC Hospital Performance Report

The North Carolina Center for Hospital Quality and Patient Safety (NC Quality Center) has aligned its efforts with the Hospital Quality Alliance (HQA). HQA is a national public-private collaboration encouraging hospitals to voluntarily collect and report hospital quality performance information. Hospitals across the country have been providing information through the HQA initiative since October 2003.

Updated on 9/15/11 to include:

- . The newest time period (July 2007 June 2010) in the hospital 30-day Outcome graphs
- . Refresh of the Optimal Care scores to include discharges through March 2011
- New HCAHPS survey results for time period Oct 2009 Sept 2010
- Updated Hospital Quality Dashboards

Coming soon - Centers for Medicare and Medicaid Services' outpatient measures for heart attack/chest pain, surgery infection prevention, and imaging.



Graphs



Tables



Trends



30-Day Outcomes Interactive Motion Chart

**NC Quality** 



Trends by hospital

Center on Facebook

Quality

✓ Like You like this.

#### **Downloads** Downloadable charts and data

NC Statistics Statewide score graphs

Dashboard

Overview of quality scores by hospital

The NC Quality Center was created by the North Carolina Hospital Association with a grant from The Duke Endowment and donations from Blue Cross Blue Shield of NC. © 2011 North Carolina Center for Hospital Quality and Patient Safety



Source: www.nchospitalquality.org

# Hospital Dashboard

#### Quality Dashboard

+

#### **Quality Dashboard for**

Quartiles are developed from the score distribution of NC Hospitals. For more on the development of this report, please visit the **Frequently Asked Questions (FAQ)**. For more details on the HCAHPS Survey, Mortality Rates, or Readmission Rates please visit **www.hospitalcompare.hhs.gov**.

<b>HCAHPS Patient Perceptions Survey</b>	10/09-9/10
Rate 9 or 10 Overall	72.0%
Always Clean and Quiet	64.0%

PSO Member		
	I	

Conditions	<b>Optimal Care Score</b>	Mortality Rate	Readmission Rate
	10/10-3/11	7/07-6/10	7/07-6/10
Heart Attack (HA) <sup>a</sup>	99.0%	12.4%	17.9%
Heart Failure (HF) <sup>a</sup> 98.0%		12.9%	20.2%
Pneumonia (PN)	89.0%	9.5%	18.2%
Surgical Care (SCIP10)	96.0%		

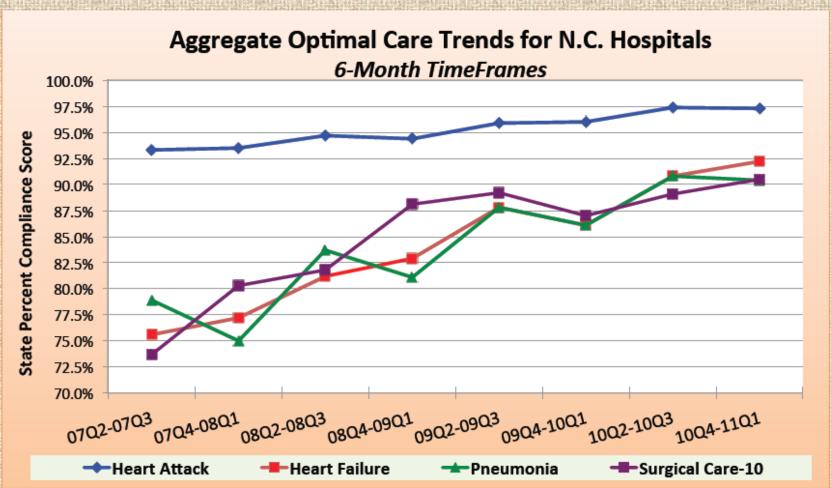
Color Coding		
Top Quartile		
2nd Quartile		
3rd Quartile		
Lowest Quartile		
No Data		

Measure Benchmarks	NC 25th %-ile Score <sup>b</sup>	NC 50th %-ile Score <sup>c</sup>	NC 75th %-ile Scored	National Rate
Rate 9 or 10 Overall	65%	69%	74%	67%
Always Clean and Quiet	63%	66%	70%	66%
Optimal Care HA Score	93.6%	98.1%	100.0%	96%
Optimal Care HF Score	85.1%	93.8%	97.6%	90%
Optimal Care PN Score	84.5%	89.9%	95.2%	89%



Source: www.nchospitalquality.org

## Care Improving



Source: Data on NC acute care hospitals received from the Carolinas Center for Medical Excellence. Optimal Care measures derived from the CMS/HQA Hospital Inpatient Process Measures. Pneumonia optimal score does not include influenza vaccination during Q2 an Q3 (non-flu season). Surgical Care Optimal Care score includes eight SCIP measures (INF1, INF2, INF3, INF4, INF6, Card2, VTE1 and VTE2.

### Summary

- Government paying for more hospital patients privately insured declining but even more important
- Affordable Care Act and reimbursement cuts
  - Changes throughout health care
  - Focus on quality and efficiency
  - Consolidation/alignment/partnerships
  - Increased competition for certain services in certain communities
- Hospitals support CON to facilitate dual roles: act like a business while also providing access to needed care in an imperfect market
  - Cross-subsidization by payer
  - Cross-subsidization by service
  - Support safety net role

